

MEMORANDUM

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NATIONAL SECURITY COUNCIL

CONFIDENTIAL (GDS)

INFORMATION

February 14, 1974

MEMORANDUM FOR:

SECRETARY KISSINGER

FROM:

STEPHEN LOW *su*

SUBJECT:

Mexico City Meeting

At our request, CIA has produced a paper on the issues and outlook for the Mexico City Foreign Ministers Meeting. That paper, which is attached at Tab A, does not contain much which you have not already seen before. However, it emphasizes more than other reports we have been receiving, the brooding mood of economic nationalism which characterizes the attitude of the majority of hemisphere governments at the moment, and it warns of the possibility of a defiant Latin attitude emerging if it should appear that the US is not seriously considering the problems being raised by the Latins.

Other points of interest raised in the paper include mention of the increasing ability of the Latins to forge collective positions without US participation and sometimes in opposition to us. Peru emerges as the Latin American nation with the greatest potential for disruption at the conference, together with the Caribbean nations on the Cuba question.

On the other side, there is no doubt that the Latins are responding eagerly to your initiative, that they stand somewhat in awe at the current vigor and flexibility of US diplomacy and that they will be vying to make a favorable impression on you.

Nevertheless, a note of caution is probably warranted in considering the cooperative comments being made directly to us by representatives of Latin governments. They have a good head of steam up and some will want to give public evidence of their independence from the US.

Attachment:

Tab A - CIA Paper

MORI/CDF per C03164597

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The American Foreign Ministers Meeting
Issues and Outlook

PRECIS

For the first time in the long history of inter-American conferences a majority of the Latin American and Caribbean countries will be joined against the US on a number of important issues. A brooding mood of economic nationalism has spread as a unifying force that has brought the region into greater harmony than ever before. The Latin Americans have been drawn together by the urge to dispute US influence in search of new, more equitable relationships. Yet they disagree over details and priorities, and on the manner in which the issues should be presented. Moreover, they want more aid, trade, technology, and privileges from the US and realize that these will necessitate more elaborate ties. They disagree among themselves about how to achieve, in effect, both greater independence and growing ties.

The have been rapidly moving toward this ambivalent but assertive posture since the late 1960's. The cumulative leftward pull by Castro, Allende, and populist leaders, as well as the perception of recent US policy as one of benevolent neglect, have fueled the rising nationalism. The new Latin American consciousness is reflected in most of the eight points they entered on the agenda for the Tlatelolco conference. Their expectations for the meeting are ambivalent. Most await positive--even dramatic--announcements and confirmation by the US that Latin America is a preferred partner in its foreign policy, but they worry that the conference will be high on rhetoric and low on results.

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At the conference, the Latin American and Caribbean delegations will push hardest for concessions that will enhance their sovereignty as they view it. A number of countries will be wary of multilateral diplomacy, and centrifugal tendencies could exert a stronger force than those drawing the Latins together, particularly if these are exploited by the US. There remains, however, an underlying measure of defiance in the Latin mood that could surface at the conference, if it appears that the US is not seriously considering the problems being raised.

AN OVERVIEW

Most of the items on the agenda for the conference spring from the rising mood of economic nationalism in Latin America. Leaders are convinced that national sovereignty is measured in terms of their ability to control their economies while accelerating rates of economic growth. There is little disagreement among them on this principle; the main variable is the intensity of the nationalism that prevails in each state. From the Brazilians on one extreme to the Peruvians on the other, the desire for rigorous definitions of the economic rights and duties of states amounts to a new Latin American creed of manifest destiny in reverse. Only [redacted]

[redacted] Paraguay, Nicaragua, Guatemala, Haiti--have not experienced this surge of nationalism, but even they are likely to vote with their Latin American colleagues for other reasons..

Latin American leaders have responded eagerly and sincerely to Secretary Kissinger's initiative for a new dialogue and are vying with each other for his attention. Most are in awe of the vigor and flexibility of US diplomacy, and consider the conference a significant opportunity to impress their views on the US and to improve bilateral relations. A few even expect that dramatic innovations in US policy will be unveiled in Mexico, and will be disappointed if there are no surprises. Many have conflicting expectations, however. They suspect that Latin America will enjoy only a brief appearance in the spotlight of US diplomacy, that the Nixon administration is not interested in the area, and that the conclave is likely to produce only haughty resolutions and promises to cooperate like those that have characterized such meetings in the past.

Latin American and Caribbean governments rarely have been more ambivalent about their relations with the US than now. While they still want the benefits and privileges inherent in the rhetoric and original principles of the inter-American system, most also

believe that US policy toward the region is paternalistic. Some leaders are viscerally opposed to the many facets of US influence in their countries, but are sobered by the realization that even more elaborate ties will be required with the US and other developed countries if their economies are to be modernized. For a majority of the leaders, nationalism has grown from passive pride and opposition to US intervention to an assertive claim for a much broader international role. In this context, the relative importance of the US in their affairs is shrinking.

Latin ambivalence toward the US is furthered by the increasing complexity of their relations with one another. Nationalism has acted to draw them closer in search for a balance with the US, but it has also been a centrifugal force tending to splinter Latin America. The increase in the number and importance of sub-regional groups that hold their own interests above those of the region is one manifestation of these conflicting pressures. The Andean group of nations, Central America, and various Commonwealth Caribbean islands have developed fledgling common markets. The English-speaking Caribbean countries already are accustomed to orchestrating foreign policy and pressing a nationalistic line about as fervent as any in Latin America. The rising mood of nationalism has also heightened the worries of energy importing countries that they will be forced to pay their oil-producing neighbors exorbitant prices, and has aggravated old rivalries and territorial disputes.

Despite these and other centrifugal forces in the hemisphere, the Latin Americans have worked together more harmoniously during the last few years than ever before. Though they have undoubtedly been influenced--and bolstered--by the success of joint Arab diplomacy in recent months, the Latin Americans actually began to collaborate on issues relating to their economic and development needs in 1969. At the Vina del Mar Conference, ministers from all of the Latin American countries endorsed a highly nationalistic resolution that impatiently called on the US

to engage in a serious dialogue in order to reach "more equitable standards" in inter-American relations. As a result of the meeting, the Special Committee for Consultation and Negotiation (SCCN) was created under OAS auspices as a new forum through which the Latins present their coordinated views to the US.

An exclusively Latin American entity--the Special Latin American Coordinating Committee (CECLA)--has been more active however. The emergence of CECLA, the Latin American Energy Organization (OLADE), and other regional caucuses created outside of the OAS during the last few years, highlights the increasing ability of the Latin Americans to forge collective positions without US participation. Even in forums with the US present and dissenting, the Latins have been able to assume united positions on certain issues. Though the OAS commission on reorganization could agree last year on only the most superficial proposals for restructuring the organization, the 22 Latin American and Caribbean delegates were almost unanimously aligned against the US on economic issues relative to their control of their economies.

"Ideological pluralism" has become a favorite phrase used by the Latin Americans to declare this new consciousness. It refers to a pragmatic attitude that reflects the desire of a majority of governments to become independent of the US and more a part of the new world of the 1970's. They reject ideological polarization in the world and in the hemisphere, and thus object to the US policy of ostracizing the Castro government and aspects of the regional collective security system. Similarly, most also are increasingly tolerant of their ideological opposites in the area. This has permitted military and civilian governments, authoritarian and reformist regimes, and traditionally rival countries to work together especially on economic issues. Today in fact, the major differences of opinion among the Latin Americans are fundamentally non-ideological for the first time in over a decade.

THE EIGHT POINTS

This unprecedented degree of unity was reflected at the caucus of Latin American foreign ministers in Bogota last November when it took only three days to agree on an eight-point agenda for the meeting with Secretary Kissinger. The Brazilian delegate played a dominant role as the spokesman of a bloc of conservative countries that included Chile, Bolivia, Uruguay, Paraguay, and most of Central America. The group diluted draft language critical of the US, and defeated the Mexican and Jamaican initiative to include an agenda item on Cuba, but on economic issues especially, it also worked in harmony with other delegations. These and other countries will work closely with the US in Mexico City, but primarily as mediators between the US and the radical states.

Peru acted as the lightning rod of the smaller group of countries more antagonistic to the US at Bogota, but in Mexico the Peruvian delegation is likely to be reasonable and cooperative unless Lima concludes that there has been no significant change in US policy. Mexican Foreign Minister Rabasa was perhaps the ablest negotiator at Bogota. He succeeded in molding the Tlatelolco agenda to include virtually all of the points in Mexico's proposed Charter of Economic Rights and Duties of States. The charter, an attempt to codify the mutual responsibilities of the more and less developed countries in the fields of international trade and aid, has unanimous backing in Latin America. The first five agenda points below, which are merely five facets of the Latins' growing economic nationalism, reflect the objectives of the Mexican charter.

Development Cooperation--This is a code phrase for an over-lapping hierarchy of Latin concerns about the conditions of access to US financial resources and markets and to the capital of international lending institutions. The agenda separates the issue into four constituent elements: 1) discriminatory or unilateral conditions on US assistance should be

proscribed; 2) a system of collective economic security should be established; 3) Latin American products should have free access to the US market; 4) the SCCN should be strengthened and used more by the US. In the first two of these points the Latin Americans seem to be advocating a code of conduct which would make foreign assistance and trade concessions by the US mandatory instead of discretionary. Argentina's ambivalence on this item probably is representative of a majority of Latin American countries. While the Peron government wants to attract outside capital, it is also imposing conditions unacceptable to capital exporters.

Ecuador energetically has pressed the second point as a corollary to the Rio Treaty, but has been joined only by a few other countries. Peru, because of its experience with the effects of US constraints and conditions on assistance--and Mexico--are the leading advocates of a code of conduct. While the Echeverria government apparently is now willing to settle for a declaration of the principles contained in its charter, Peru, the Commonwealth Caribbean, and a few other countries will push for a binding commitment.

Economic Coercion--This item is tersely stated in the agenda as follows: "an effective mechanism should be established to protect against the purpose, adoption, and implementation of such measures." The Latins are referring specifically to the variety of sanctions--arising both from legislation and executive action--that have been applied in expropriation and fisheries disputes. In addition, the use by the US of its veto over the granting of soft loans by the Inter-American Development Bank is widely viewed by the Latins as another form of interventionism. The strict application of economic sanctions against the Allende and Castro governments has charged the issue with considerable emotion for many, moreover. Peru will be the most uncompromising proponent of this item, but virtually every other country at least will seek assurances from the US that economic sanctions will never be used against them.

International Trade and Monetary System--The central argument here is that the economic power of the US and other developed nations has created a preferred position for the more developed countries because of unfavorable terms of trade. Although the world energy shortage has alleviated the problem for petroleum producers, it has also caused exporters of other raw materials to escalate their demands for higher prices and better terms of trade. The Latins are frustrated and disillusioned with the sincerity of past US pledges to coordinate our trade policies with them, and with US failure to implement a system of generalized tariff preferences for developing countries. They are in nearly full agreement that the US should explore with them ways to flatten out fluctuations in the cost and quantity of goods traded in order to guarantee prices and availability over time. Argentina and other countries that have unfavorable trade balances with the US are particularly anxious to gain better access to the US market and are likely to work actively for concessions on this item.

Transnational Enterprises--The multi-national corporations are seen by the Latins as a source of profound concern, and an increasingly onerous manifestation of "yankee imperialism." Their sensitivities are conceptualized in the Calvo Doctrine which maintains that the foreign investor does not have the right to the protection of his own government, and by implication, that the latter has no right to defend an investor's interests. These concerns are heightened by the capacity of international enterprises to exert powerful pressures of their own on host governments. While all of the countries of the region want to make their sovereignty more effective against foreign investors, some, particularly Brazil, now have acquired the technical and administrative skills necessary to deal with them more effectively. This, and the Latins' realization that they need foreign capital and technology for development, will tend to soften the issue. A few incipient capital-exporting countries like Brazil, Venezuela, and

Mexico are beginning to encounter both sides of the problem, moreover. With the countries that often vote with Brazil, they probably will work with the US while remaining committed to the minimum demand that a declaration of principles governing the behavior of multi-national companies be approved.

Transfer of Technology--The Latins' demand for the "greatest possible" technical cooperation from the US dates from the Vina del Mar Conference. They want: 1) help in strengthening their scientific and technological infrastructure; 2) the transfer of research projects on problems unique to them that are now being done in the US; 3) greater access to US patents; and 4) a reduction of restrictive US government measures that impede technological transfer. Of the five economic items on the agenda, they probably are least united and concerned about this one, because no direct threats to their sovereignty are involved and because it does not apply evenly to all of them. The issue is more important to the larger, more developed countries--Brazil, Argentina, Mexico, Venezuela--than it is to countries with little infrastructure, and the latter--a large majority--are not likely to pursue it. In addition, Brazil, and some of the other countries that strongly advocate it are sensitive to the fact that most modern industrial technology is privately owned and therefore beyond the scope of the Tlatelolco deliberations.

The Inter-American System--Although most of the Latin American and Caribbean states claim that there are serious deficiencies and inequities built into the inter-American system, they are deeply divided about what remedies are needed. Peru and a few other countries prefer a mechanism that does not include the US; with Mexico, Panama, and Ecuador, this group would scrap the Rio Treaty and its ancillary hemisphere defense agencies as "Cold War anachronisms." On the other hand, Brazil and the bloc of conservative countries that it often represents prefer simply to revitalize the inter-American system with superficial changes.

Almost all agree, however, that the economic grievances described in the above agenda items should somehow be dealt with in the OAS framework, although they cannot agree on how this should be done. This diversity of views is complicated by the fact that some of the countries participating at Tlatelolco are not full participants in the inter-American system: Guyana is only an observer in the OAS, the Bahamas have not yet acceded, and the Commonwealth Caribbean countries are not signatories of the Rio Treaty.

The issue of Cuba's exclusion will loom imposingly over the proceedings on this issue, moreover. Last year Venezuela came within a few votes of winning majority support for a resolution that would have made the sanctions against Cuba optional rather than mandatory, and a number of countries already have violated them. Even the countries that are the staunchest supporters of the sanctions--especially Brazil and Chile--are concerned that the US will abandon the present policy without consulting them--a suspicion that has mounted following Brezhnev's recent visit to Cuba. Meanwhile, Castro's continuing campaign of scurrilous attacks on the OAS has contributed to the declining prestige of the organization. The rising tendency of the Latins to work through other forums outside of the OAS--and the fact that the Tlatelolco conference itself is one of them--highlight the problem.

The Panama Canal Question--This bilateral issue, sponsored by Rabasa and Panamanian Foreign Minister Tack at Bogota, was included in the agenda partly as an effort to dramatize the Latins' opposition to US "imperialism." Because of the progress subsequently achieved in the Canal negotiations, however, the issue is likely to be muted at Tlatelolco. The US will be able to point to the concessions it has made, the Secretary's trip to Panama, and the new opening in the Canal talks as proof of its desire to resolve the full range of nagging inter-American problems. The Torrijos government has reacted positively to the results of the recent negotiating sessions with Ambassador Bunker, and Tack undoubtedly

will endeavor to keep the issue out of contention at the meeting. Panama can be expected to adhere to its highly nationalistic line on the remaining issues, however.

General Panorama of Relations--This item merely calls for "consideration of political problems of hemisphere interest in the light of present world and regional situations." It is the result of compromises at Bogota that reflect the inability of the Latins to agree on more than the principles of selected issues. In effect, it leaves the agenda open to those who may wish to introduce new items at Tlatelolco. Had the US not added an agenda item on international energy matters, for instance, the subject undoubtedly would have arisen here. The Latins--both energy importers and exporters--want more from the US and from the oil companies, and will be anxious to be informed of the outcome of the energy conference in Washington on February 11. Brazil--the largest net energy importer in the area--wants to maintain maximum independence to deal with Arab producers, but may be annoyed at not being included in the Washington meeting.

Supply restrictions and increased petroleum prices have had varying effects in Latin America. Reductions have been felt most keenly by countries in Central America and the Caribbean that previously had imported up to a third of their oil from Arab sources through US companies. There have been severe effects on the economies of importing countries, while exporters have substantially increased their earnings. Venezuela is in the forefront on the issue because it provides about 10% of total US petroleum consumption and is the founder and leading influence in OLADE. Although conflicts among Latin American countries over energy matters were papered over in the deliberations last year that led to the formation of OLADE, its prospects as a collective Latin bargaining tool are limited by the conflicting interests of exporters and importers in the area. The energy issue is intricately involved with other agenda items discussed above, and is likely to be a persistent theme in Mexico.

The Law of the Sea is also an issue of major interest in the hemisphere which is not formally included in the agenda but likely to be raised. Latin American states have joined in unusual alliances on the issue, with Brazil, Peru, and Ecuador taking the more extreme stand, and Mexico, Colombia, and Venezuela advocating a more moderate position. There is considerable agreement among the US and the moderates, and with Mexican support, the Tlatelolco conference could prove an effective means of advancing US positions in the broader context of give and take.

OUTLOOK

At Tlatelolco the Latin American and Caribbean delegations will push hardest for concessions that will enhance their own views of their sovereignty. A majority wants the US to eschew the use of "coercive" economic sanctions--including those in force against Cuba--and to endorse "codes of conduct" that would regulate the activities of multi-national companies and the terms of US development assistance. They want preferential trade arrangements, guarantees against unstable markets, monetary fluctuations, and energy shortages, as well as greater access to US technology and markets. They favor modifying the inter-American system with the objective of reducing US influence in the hemisphere.

Although they have demonstrated unprecedented unity in principle on these and similar issues, the Latin American governments will be struggling against a formidable array of problems that will reduce their leverage. They disagree profoundly among themselves over the details, dimensions, and priorities of the issues, and over the tone and manner in which they should be presented to the Secretary. There is no evidence that they have worked out joint positions on the specifics of what they want from the US or what they would be willing to concede in return. Some, especially the Peruvians, believe that they already have conceded too much to US interests, but they will be outnumbered by the countries that will work to formulate reciprocal guarantees for foreign investors.

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Jealousies, old rivalries, and conflicting national interests will also work against harmony. Thus, although the Mexican Charter of Rights and Duties of States is the most detailed articulation of the general Latin views on sovereignty-related issues, Brazil and other countries may work against portions of it because of their opposition to Mexico's [redacted] leadership in the region. Other countries may also take uncharacteristic or unexpected positions because of pride or jealousy. Guatemala--embarrassed by charges that it was pliant to US objectives at the preparatory conference--or Bolivia might split with Brazil on some issues to demonstrate their independence.

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A number of countries are wary of multi-lateral diplomacy. Brazil and Chile, for instance, would prefer to work bilaterally with the US [redacted]

[redacted] Many others may also be more interested in bi-lateral talks with the Secretary than in the regular conference proceedings, and even the Peruvian foreign minister will probably seek to advance his country's objectives in private sessions. A few other governments may be unwilling or unable to make commitments on important issues because of domestic concerns. The Peron administration has not reached full internal agreement on how to deal with the US, and governments that are lame duck--Venezuela, Colombia, Costa Rica, Guatemala--may abstain on important issues.

Together, centrifugal tendencies may exert a stronger force at the conference than the factors that have drawn the Latins together. The US will be in a position to influence the delicate balances inherent in the Latin's ambivalence toward the US and in the countervailing forces that affect their attitudes toward each other. If the US exploits these centrifugal forces--or stands back and allows them to flourish--few specific Latin grievances are likely to win majority support.

There would be risks, however. An underlying and strong measure of defiance resides in the current Latin mood. It could surface at Tlatelolco if delegates from reform-minded countries suspect that the US is not seriously considering the problems they have raised. Some are not above grandstanding or mean rhetoric, and if disillusioned enough, Peru and other countries might resort to efforts to embarrass the US.

Virtually all of the Latin delegations expect the US to assume an energetic stance at center stage. From the outset they will be looking for signs of US flexibility while awaiting the dramatic announcements that some believe are inevitable. Most probably would welcome US proposals for revitalizing the inter-American system as long as they are given a larger role. They would be enthusiastic if the US moves decisively to reaffirm a belief in the preferred status of Latin America in its foreign policy, and would consider a tour of the region by the Secretary as confirmation of renewed US interest. US concessions to Panama already have created a positive balance to charges of US interventionism, and further announcements of progress in the Canal talks probably would create some pro-US momentum in Mexico.

Cuba will be on nearly all of their minds, moreover. Many already suspect that the US will announce a major shift in its Cuba policy at the conference, and rumors to this effect are multiplying. A majority opposes the continuation of mandatory sanctions against Castro and would endorse any unilateral moves by the US that would give them freedom of action to deal with Havana. Some, particularly Brazil and Chile, are opposed to loosening the OAS policy, and would be appalled if they were not informed in advance of a change in US policy.

Most Latin American and Caribbean leaders are convinced, however, that Castro has ceased to use violent methods in his foreign policy and are not concerned about his ties to the USSR. Many believe,

moreover, that a flexible US policy toward Cuba would be like a skeleton key capable of opening a new era of inter-American harmony. They prefer that "ideological pluralism" become an inter-American reality rather than a partisan slogan, and that US foreign policy look southward.